



# ARIZONA STATE RETIREMENT SYSTEM

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*Paul Matson  
Director*

## MINUTES PUBLIC MEETING ARIZONA STATE RETIREMENT SYSTEM BOARD

**Friday, March 28, 2014  
8:30 A.M., MST**

The Arizona State Retirement System (ASRS) Board met in the 10th Floor Board Room, 3300 N. Central Avenue, Phoenix, Arizona. Mr. Tom Manos, Chair of the ASRS Board, called the meeting to order at 8:31 A.M., Arizona Time.

The meeting was teleconferenced to the ASRS office at 7660 E. Broadway, Tucson, Arizona 85710.

### **1. Call to Order; Roll Call; Opening Remarks**

Present: Mr. Tom Manos, Chair  
Mr. Mike Smarik, Vice-chair  
Mr. Tom Connelly (via teleconference)  
Professor Dennis Hoffman  
Dr. Richard Jacob  
Mr. Kevin McCarthy  
Mr. Brian McNeil (via teleconference)  
Mr. Jeff Tyne

Absent: Mr. Marc Boatwright

A quorum was present for the purpose of conducting business.

### **2. Presentation Regarding PRIDE Award for Professionalism**

Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, recognized the following nominees for the PRIDE Award for Professionalism: Debbie Motta, Don Crockett, Nicie Montanez, and Beth Roth. They were nominated by staff who feels they exemplify the following PRIDE qualities of professionalism:

- Displays a positive demeanor (friendly, responsive, courteous) even when confronted by adversity
- Has subject matter expertise
- Possesses good communication and active listening skills
- Is a trusted contributor (manager, leader, SME, analyst, teammate)
- Takes personal accountability
- Has a proactive and responsive approach to internal and external customer needs
- Has critical thinking skills
- Has an honest, fair and non-judgmental mindset
- Is adaptable to change that benefits members, associates and stakeholders
- Adheres to the ASRS Code of Conduct

Mr. Guarino presented the PRIDE Award for Professionalism to the award winner, Debbie Motta.

**3. Approval of the Minutes of the February 28, 2014 Public Meetings and Executive Session of the ASRS Board**

**Motion:** Professor Dennis Hoffman moved to approve the minutes of the February 28, 2014 Public Meetings and Executive Session of the ASRS Board. Mr. Jeff Tyne seconded the motion.

By a vote of 8 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

**4. Approval, Modification, or Rejection of Administrative Law Judge's Recommended Decision Regarding Ms. Mable Graham's Appeal of Repayment of a Pension Overpayment**

Ms. Diana Day, Assistant Attorney General, Solicitor General Section, was present for agenda items #4 and #5, to provide legal advice to the Board, if requested. Ms. Jothi Beljan, Assistant Attorney General, provided an explanation of Ms. Mable Graham's appeal, stating that Ms. Graham filed a retirement application and later amended it by selecting a different retirement option as well as a partial lump sum. Ms. Graham is appealing the repayment of the overpayment that resulted from the change to her retirement application. Ms. Graham did not appear for her hearing before the Administrative Law Judge (ALJ). When Appellants have failed to appear in the past for an administrative hearing related to an ASRS appeal, ALJs have taken no action or issued an Order noting the non-appearance of the Appellant. In this matter, the ALJ issued a Recommended Decision that the appeal be denied.

Ms. Graham was not present. A representative of Ms. Graham was not present.

**Motion:** Mr. Kevin McCarthy moved to accept the ruling of the Administrative Law Judge to deny Ms. Mable Graham's request to not repay her pension overpayment. Professor Dennis Hoffman seconded the motion.

By a vote of 8 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

**5. Approval, Modification, or Rejection of Administrative Law Judge's Recommended Decision Regarding Ms. Sara Woyak's Appeal of Long Term Disability Benefits**

Ms. Beljan presented Ms. Sara Woyak's appeal of the denial of Long Term Disability (LTD) benefits. Independent medical examinations were conducted by the ASRS LTD provider and Ms. Woyak's employer, in addition to three independent medical file reviews. The examinations and file reviews concluded that she was able to perform the duties of her job and she is therefore ineligible for LTD benefits.

Ms. Woyak was not present. A representative of Ms. Woyak was not present.

**Motion:** Mr. Mike Smarik moved to accept the ruling of the Administrative Law Judge to uphold the Director's determination that Ms. Sara Woyak was no longer disabled and therefore not eligible for ASRS Long Term Disability benefits effective March 1, 2013. Mr. Kevin McCarthy seconded the motion.

By a vote of 8 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

## **6. Presentation, Discussion, and Appropriate Action Regarding the 2014 Legislative Session**

Mr. Patrick Klein, Assistant Director, External Affairs, introduced Mr. Nicholas Ponder, Government Relations Officer. Mr. Klein and Mr. Ponder presented the Bill Tracker, which summarizes ASRS 2014 legislative initiatives as well as other bills affecting the ASRS.

Mr. Ponder did not discuss the following bills, however, noted they were dead:

- HB 2017 (ASRS; §38-955 Defined Contribution Plan): The bill would have made technical changes to the Plan.
- HB 2018 (ASRS; In-service distributions): The bill would have made changes to ensure employees have at true break in service, of at least 30 days, between the time they retire and the time they return to work for any ASRS employer.
- SB 1085 (ASRS; LTD program): The bill would possibly have changed the income replacement ratio for those on LTD from 66 2/3% to 60% after 24 months of disability.
- HB 2060 (PSPRS oversight; rulemaking; procurement): The bill would have indicated the ASRS would not be required to go through the procurement process to obtain investment related goods or service and investment related legal services.
- HB 2069 (ASRS, Political Subdivision Entities): Employees of Political Subdivision Entities hired on or after a certain date would have been excluded from ASRS membership by this bill.
- SB 1240 (Striker): The bill would have required that an employer that is a school district or charter school cannot contract or lease a retired member within 365 days of that member's retirement date.
- HCR 2001 (Public retirement systems): The bill would have attempted to place on the ballot an amendment to the state constitution, which currently indicates benefits cannot be impaired or diminished, to say impaired or diminished does not mean contribution rates cannot be increased and pension benefits cannot be decreased.
- HB 2203 (ASRS; PSPRS; Board membership): The bill would have changed the construct of the current ASRS and PSPRS Boards of Trustees.
- HB 2063 (Retirement savings; employees): The bill would have established a trust program providing one or more payroll deposit retirement savings arrangements available to any person or entity engaged in business or other enterprise in Arizona, excluding public entities, that has five or more employees (along with other criteria).
- SB 1104 (State employees; backfilling; reward incentives): The bill would have authorized the Department of Administration to adopt rules to provide incentive rewards to state employees for backfilling vacant positions.

Mr. Ponder discussed the status of the following bills:

- HB 2050 (ASRS membership; Section 218 requirements): This bill would eliminate the requirement that members must be covered by an employer's Social Security Section 218 Agreement and would not allow those already contributing to Social Security to opt out. The bill passed out of the Senate Finance Committee.
- SB 1082 (ASRS; Employee background checks): The bill would allow the ASRS to perform background checks on current and prospective employees. The bill passed out of the House Government Committee.
- SB 1083 (ASRS; Applicable Interest Rate; definition): The bill makes technical conforming changes. The bill passed out of the House Insurance Retirement Committee and is on the consent calendar.
- SB 1084 (ASRS; LTD Compensation): The bill clarifies how the ASRS calculates compensation for LTD benefits. The bill passed out of the House Insurance Retirement Committee and is on the consent calendar.

The following bill affects the ASRS but was not initiated by the ASRS:

- HB 2058 (Public Pension; Limit on Compensation): This bill implements a cap of \$150,000 on earnings eligible for contributions affecting employees hired on or after the effective date. The ASRS is neutral because this is a benefit change. The bill passed out of the Senate Finance Committee.

Discussion ensued on the possible impact of HB 2058 on contribution rates. It was pointed out that contribution rates would marginally increase should the bill go into effect. Dr. Richard Jacob requested further analysis on pre- and post-retirement salary changes. Mr. Matson indicated staff would present empirical data in response to Dr. Jacob's inquiry at a future Board meeting.

## **7. Presentation, Discussion, and Appropriate Action Regarding the Director's Report as well as Current Events**

Mr. Matson presented the Director's Report and asked Mr. Guarino to provide a detailed presentation of the Operations Report. Mr. Guarino said the monthly report contains data for approximately 200,000 contacts/transactions per year, in addition to approximately one million pension payments per year. The report encompasses member contacts, benefit transactions, and LTD activity. Mr. Guarino said most interactions aside from pension payments occur over the phone. He highlighted a number of accomplishments and issues in various areas of member services.

Mr. Guarino noted there are fewer member calls than in the past couple of years due to a number of factors including more services offered on the ASRS website, less worry about the economy, and a good strategy to manage staffing levels along with members' needs. Mr. Guarino said 97 percent of members visiting the MAC for One-on-One appointments are satisfied or very satisfied. He noted MAC email response timeliness is being updated from measuring in days to measuring in hours. The Operations Report will also be improved and updated, perhaps beginning next year, to incorporate data related to web services and employer satisfaction.

Mr. Guarino announced the agency will roll out a newly designed public website over the weekend.

## **8. Presentation and Discussion with Respect to Informational Updates from Prior and Upcoming Committee Meetings**

### **a. Operations and Audit Committee (OAC)**

Mr. Jeff Tyne, Chair, said the next OAC meeting will be held on April 30, 2014. Topics to be discussed are internal information technology security and health insurance contract proposals. He congratulated the agency on the hard work done to present the new public website.

### **b. External Affairs Committee (EAC)**

Mr. Kevin McCarthy said the next EAC meeting will be held on April 11, 2014; legislation will be discussed.

### **c. Investment Committee (IC)**

Mr. Tom Connelly, Chair, said the next IC meeting will be held on April 21, 2014. ASRS Investment Program Updates, consultant review, equities asset class presentation, and consequences of the Federal Reserve actions over the past five years will be discussed.

## **9. Board Requests for Agenda Items**

No requests were made. Mr. Manos asked Trustees to contact him or Ms. Beljan regarding specific topics they would like Ms. Beljan to address in her upcoming fiduciary education presentation to the Board.

## **10. Call to the Public**

No members of the public requested to speak.

## **11. Presentation, Discussion, and Appropriate Action with Respect to the 2013 Review of the Director of the ASRS**

**Motion:** Dr. Richard Jacob moved to go into executive session to discuss the Director's review. Professor Dennis Hoffman seconded the motion.

By a vote of 8 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

The Board recessed from the public meeting at 9:30 A.M. for the purpose of going into executive session in the 14th floor Conference Room. The Board reconvened to the public meeting at 10:14 A.M.

## **12. The next ASRS Board meeting is scheduled for Friday, April 25, 2014, at 8:30 A.M., at 3300 N. Central Avenue, 10<sup>th</sup> Floor Board room, Phoenix, Arizona.**

## **13. Adjournment of the ASRS Board**

Mr. Tom Manos adjourned the March 28, 2014 Board meeting at 10:15 A.M.

ARIZONA STATE RETIREMENT SYSTEM

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Lisa Maddox  
Board Administrator

Date

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Paul Matson  
Director

Date